

Message Text

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ACTION AGRE-00

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 CEA-01 CIAE-00

COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05

SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02

OMB-01 DOE-15 AF-10 ARA-10 EA-10 NEA-10 /166 W

-----074463 221547Z /46

R 221649Z AUG 78

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 8422

INFO AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

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PASS AGRICULTURE/FAS AND STR ELECTRONICALLY

ALSO FOR USEEC

E.O. 11652: N/A

TAGS: EAGR, EEC, BE, LU

SUBJECT: LEVIES ON EC IMPORTS OF MILLING RESIDUES

REF: STATE 206285

1. SUMMARY: THE QUESTION OF SUBSTITUTE PRODUCTS HAS BEEN A TOPIC OF MUCH DISCUSSION IN BELGIAN AGRICULTURAL CIRCLES DURING THE PAST YEAR. MOST OBSERVERS BELIEVE PRESSURE IS LIMITED OFFICIAL USE

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BUILDING WITHIN THE EC FOR ADOPTION OF MEASURES AIMED AT STABILIZING, IF NOT CURTAILING, THE STEADILY INCREASING IMPORTATION OF THESE PRODUCTS. END SUMMARY.

2. AS PER REFTTEL, AGATT DISCUSSED ISSUE OF POSSIBLE CHANGES IN EC REGULATIONS GOVERNING IMPORTS OF WHEAT MILLING RESIDUES AND OTHER FEEDGRAIN SUBSTITUTES WITH

AN OFFICIAL OF THE CROP PRODUCTION DIVISION OF THE BELGIAN MINISTRY OF AGRICULTURE. ACCORDING TO THIS OFFICIAL, AS PART OF THE 1978/79 EC FARM PRICE PACKAGE, THE COMMISSION STATED IT WOULD CONDUCT A STUDY ON SO CALLED "SUBSTITUTE PRODUCTS" SUCH AS MANIOC, WHEAT MILLING BY PRODUCTS, ETC. THIS STUDY IS CURRENTLY UNDERWAY AND REPORTEDLY, ONE OBJECTIVE IS TO FIND A WAY TO MAKE SUBSTITUTE PRODUCTS LESS PRICE COMPETITIVE WITH GRAINS, I.E., RAISE PRICES OF SUBSTITUTE PRODUCTS.

3. OUR CONTACT SAID THE EC GRAIN MANAGEMENT COMMITTEE HAS NOT YET DISCUSSED THIS SUBJECT, NOR HAS IT RECEIVED ANY PROPOSALS TO EXAMINE. HE EXPECTS THE MATTER TO BE RAISED FOR DISCUSSION IN SEPTEMBER, AND THINKS FINAL ACTION (AT LEAST ON THE WHEAT BY-PRODUCTS TARIFF CONSOLIDATION ISSUE) WOULD NOT NECESSARILY HAVE TO BE REFERRED TO THE COUNCIL OF MINISTERS. HE ALSO SAID THE TRADE HAS MADE KNOWN ITS OPPOSITION TO ANY ACTIONS WHICH WOULD HANDICAP THE USE OF THESE COMMODITIES.

4. AS CONCERNS CORN GLUTEN FEED, THIS OFFICIAL PERSONALLY DID NOT THINK THE EC WOULD ATTEMPT TO CURTAIL SUCH IMPORTS, GIVEN THE COMMUNITY'S PROTEIN DEFICIT. CORN GLUTEN FEED IS RELATIVELY HIGH IN PROTEIN CONTENT, UNLIKE MANIOC AND WHEAT BY-PRODUCTS.

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5. THE BELGIAN MIXED FEED MANUFACTURERS ASSOCIATION IS OPPOSED TO THE CONSOLIDATION OF THE TWO TARIFF ITEMS FOR WHEAT BY-PRODUCTS. THEY BELIEVE THE FRENCH ARE BEHIND THIS EFFORT, SINCE THESE PRODUCTS ARE PRICE COMPETITIVE WITH GRAINS. AN ASSOCIATION REPRESENTATIVE CALCULATED THE EFFECT OF A FOUR FOLD INCREASE IN THE LEVY FOR WHEAT BY-PRODUCTS AT CURRENT PRICES, AND CONCLUDED THAT SINCE THEY WOULD BECOME MORE EXPENSIVE THAN WHEAT, THE IMPORTATION AND FEED USE OF THESE WHEAT BY-PRODUCTS WOULD CEASE.

6. AN OFFICIAL OF A LARGE GRAIN TRADING FIRM TOLD US THE COMMISSION IS CONCERNED ABOUT IMPORTS OF THIRD COUNTRY WHEAT BY-PRODUCTS BECAUSE OF THE COMPETITION THIS CREATES FOR EC FLOUR MILLERS AND EXPORTERS IN THE WORLD FLOUR MARKET. THE FACT THAT THIRD COUNTRY FLOUR MILLERS, SUCH AS NIGERIA AND INDONESIA, HAVE FOUND A PROFITABLE MARKET IN THE EC FOR THEIR BY-PRODUCTS HAS ALLOWED THEM TO SELL THEIR FLOUR IN THE WORLD MARKET MORE COMPETITIVELY. THIS, IN TURN, FORCES THE EC TO SUBSIDIZE ITS FLOUR EXPORTS MORE HEAVILY. IN ADDITION, IMPORTS OF THIRD COUNTRY WHEAT BY-PRODUCTS COMPETE WITHIN

THE COMMUNITY WITH EC WHEAT BY-PRODUCTS AND GRAIN.

7. FYI, DURING CALENDAR YEAR 1977 BELGIUM/LUXEMBOURG IMPORTED 415,000 METRIC TONS OF WHEAT BY-PRODUCTS, COMPARED TO 462,000 TONS IN CY 1976. ALTHOUGH THE ABOVE FIGURES INCLUDE BOTH TARIFF ITEMS (23.02AIIA AND B), THE BULK IS IN A. THE NETHERLANDS, ARGENTINA, NIGERIA, AND INDONESIA ARE THE MAJOR SUPPLIERS.

8. THE BELGIAN MIXED FEED MANUFACTURERS ASSOCIATION BELIEVES THERE IS CONSIDERABLE OPPOSITION AMONG FEED COMPOUNDERS, LIVESTOCK PRODUCERS, THE TRADE AND THIRD COUNTRY SUPPLIERS AGAINST ANY MEASURES AIMED AT CURTAILING IMPORTS OF SUBSTITUTE PRODUCTS. AS A RESULT, THEY SUSPECT LIMITED OFFICIAL USE

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THE COMMISSION WILL NOT TRY TO TAKE ACTION ON ALL SUBSTITUTE PRODUCTS AT THE SAME TIME, BUT RATHER WILL APPROACH

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THIS MATTER ON A GRADUAL PIECEMEAL BASIS. IN LINE WITH THIS CONCERN, THE BELGIAN ASSOCIATION RECENTLY SENT A MEMO TO THE COMMISSION AND TO THE BELGIAN MOA ARGUING IT WOULD BE UNFAIR TO PROTECT EC GRAIN PRODUCERS AT THE EXPENSE OF LIVESTOCK PRODUCERS, FEED MANUFACTURERS, THE MEAT INDUSTRY AND THE CONSUMER, ESPECIALLY IN VIEW OF THE HIGH EC GRAIN PRICE VIS-A-VIS THE WORLD GRAIN PRICE. IN ADDITION, THE ASSOCIATION ALSO POINTED OUT CERTAIN TECHNICAL FACTORS, WHICH IN PROPERLY BALANCED LIVESTOCK LIMITED OFFICIAL USE

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RATIONS WOULD TEND TO LIMIT THE AMOUNT OF ADDITIONAL SUBSTITUTE PRODUCTS WHICH COULD BE INCORPORATED INTO FEED FORMULATIONS IN BELGIUM.

9. FINALLY, WHILE ALL OF OUR BELGIAN CONTACTS EXPECT THE COMMISSION TO PROPOSE SOME TYPE OF MEASURE TO CURTAIL THE GROWTH OF IMPORTS OF SUBSTITUTE PRODUCTS, ALL AGREE THE COMMISSION WILL HAVE TO CONSIDER THE POLITICAL AND ECONOMIC IMPLICATIONS OF SUCH ACTIONS ON LDC SUPPLIERS, I.E., THAILAND FOR MANIOC. CHAMBERS

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